

Questar seeks to lower rates

GRACE LEONG - Daily Herald, May 12, 2006

Questar Gas customers may see their monthly bills drop by \$1 next month under a settlement reached Wednesday between the utility and state regulators.

If approved by the Utah Public Service Commission, the settlement, which reduces gas rates by \$9.7 million, will take effect June 1. That reduction, along with two earlier rate reductions - \$38.7 million in April, and \$93.7 million in February -- will lower the average Utah household's annual gas bill by \$150.

"The \$9.7 million rate cut is the net result of \$8.5 million in savings from lower-than-expected depreciation costs and \$3.2 million in savings from refinancing loans at lower interest rates, offsetting \$2 million in pipeline inspection costs," said Chad Jones, Questar's spokesman.

Questar had initially proposed to cut rates by \$10.2 million in return for the commission's approval of the utility's request for an adjustment, or conservation-enabling tariff.

"The \$10.2 million rate cut proposed by Questar in February was tied to their tariff proposal. But since then, we've negotiated a \$9.7 million rate cut detached from the tariff proposal," said Dan Gimble, the Committee of Consumer Services's chief of technical staff. Hearings on the proposed tariff will start June 26.

Questar settled on a \$9.7 million rate cut with no strings attached, after the committee voiced concerns about the utility using the tariff to protect its revenues from declining gas usage.

"The committee pushed for a rate decrease but believed, from the perspective of residential and small business customers, a tariff that encompasses a full sales and revenue decoupling would not benefit ratepayers," said committee Chairman Dee Jay Hammon.

In documents filed in February with the commission, the committee criticized what it sees as attempts by Questar and the Division of Public Utilities to "dramatically alter regulation methods, without regard to the major implications for Questar's revenues, rate of return, cost of capital, expenses, and even greater implications to retail customers."

Questar officials, however, defended their tariff proposal. While allowing Questar to change the way it collects and accounts for fixed costs, or the costs of maintaining its gas distribution system, the tariff also helps encourage more conservation without hurting the company's revenues, they say. That in turn could potentially lead to \$19 million in additional savings to customers.

"The tariff will help stabilize our revenue stream, so we can count on having enough money to cover our costs. It's designed so that what we collect to cover our costs doesn't depend on how much gas people use," Jones said.

At stake is the utility's ability to more efficiently collect what it says is authorized by the commission -- non-gas costs estimated at around \$224 million annually -- from its customers. Its ability to recover those costs has been hampered by declining gas usage during the past two decades.

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